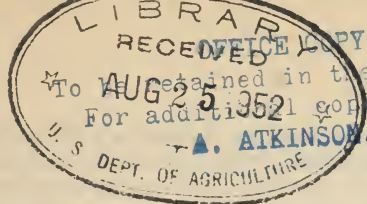


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UNITED STATES DEPARTMENT OF AGRICULTURE
 AGRICULTURAL ADJUSTMENT ADMINISTRATION
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CROP INSURANCE FEATURES
 OF
 AGRICULTURAL ADJUSTMENT PROGRAMS

Drought, with its threat of crop failure on millions of acres of the Nation's farms, in the early months of 1934, focused attention sharply on the crop-income insurance features of the adjustment programs that farmers are carrying out under the authority of the Agricultural Adjustment Act.

Designed primarily to permit production adjustments in line with the lessened effective demand of contracted markets and to cut down burdensome surpluses, the various crop adjustment programs also afford the greatest farm crop insurance operation ever undertaken anywhere in the world. After many years of agitation in many States for crop-income insurance, such insurance is provided on a big scale in the adjustment programs.

The rental or benefit payments to farmers who take part in the program are based on past production averages rather than on the current crop. The amount of these payments, therefore, is not diminished by a current crop failure. These assured payments guarantee that a cooperating farmer will have some income, even if his crop fails utterly.

The wheat farmer of the Dakotas who has signed an adjustment contract is guaranteed a substantial "wheat" income in the form of his benefit payments, even though he may be forced to stand helplessly aside while the last hope for his crop vanishes before the dry heat and the duststorms.

The insurance feature protects the hog and corn raisers and the cotton and tobacco producers, as well as the farmers of the Wheat Belt. Flood, hail, frost, and insect pests may join drought as crop destroyers in different regions, but the adjustment programs give income protection to all cooperating farmers.

These programs have been shaped to meet unusual conditions. They are sufficiently flexible to be adapted to the extraordinary situation. Drought creates one of these situations, and the assured income feature of the programs in all contracts from the first has provided one effective way of meeting it.

Crop failure, caused by drought or other disaster, may bring tragedy that reaches far beyond the year of the failure. It may undermine, for years to come, the producing power of the affected regions. In such cases, society as a whole eventually pays the losses.

The adjustment programs guarantee at least a partial crop income in seasons of adversity; they protect the producer from being hampered and crippled, through complete loss of income, in his efforts to renew production when the immediate failure has passed. These programs are based on the principle that it is right and mutually advantageous to insure farmers some income in time of crop failure. The Nation will profit if the producing power of the farmer is protected.

INCOME INSURANCE UNDER THE WHEAT PLAN

Value of the crop income insurance feature of the wheat adjustment plan has already been proved. Drought took its toll in the wheat belt during 1933, when the crop was the smallest harvested in the United States for many years. Adjustment benefit payments to cooperating farmers on the 1933 wheat crop, however, have been based on the average production of the base period, and not on the 1933 crop itself. This has meant much to wheat farmers in areas hard hit last year.

Farmers who signed wheat contracts have received the first payment of 20 cents a bushel on their allotments, which are 54 percent of their average production for the base period. This payment has reached a total of \$66,000,000. The final payment of 8 cents a bushel, less local administrative expenses, will bring the total benefit payments on the 1933 crop to more than \$90,000,000.

Kansas, the largest wheat-producing State, offers an illustration of the crop income insurance feature of the wheat plan. The 5-year average wheat production in Kansas, from 1928 through 1932, was 177,431,000 bushels. In 1933, however, the harvest dropped to 57,504,000 bushels as a result of severe drought conditions. Production in the drought year of 1933 was approximately 120,000,000 bushels below the base-period average. Benefit payments, fortunately for the wheat farmers of Kansas, have been based on the 5-year average and not on the 1933 crop.

South Dakota furnishes another good illustration. Last year, the wheat production of South Dakota was only 5,120,000 bushels, as compared with 53,468,000 bushels the year before. Drought had taken heavy toll. The value of the 1933 crop, based on December farm prices, was \$3,076,000. Adjustment payments on the 1933 crop, based on the base-period average production, reached a total of \$3,425,677 by April 1, and this sum represented only the first payment of 20 cents a bushel. Final payments to South Dakota farmers on their 1933 crop will bring the total to more than \$5,000,000, as compared with a market value for the crop of only \$3,076,000. The State's 53,000,000-bushel crop in 1932 was valued at \$14,000,000. The approximately \$8,000,000 return to wheat farmers for last year's crop meant more than half as much money for a crop one-tenth as large.

The base-period bushel allotment upon which wheat benefit payments are figured will remain the same for the 1934 and 1935 crops as it was for the 1933 crop. The adjustment payments for these years will depend upon the rate of the processing tax, which will be determined before the beginning of each marketing year. If the

payments are at the same rate as last year, the totals of this stabilizing additional purchasing power will be as great for the 1934 crop as they were for 1933. If the payments increase, farmers who are cooperating in the wheat plan will receive larger total benefits to provide a continuous flow of purchasing power—and this regardless of crop conditions or failures.

These adjustment benefit payments, guaranteed under the wheat contracts, provide a very real crop income insurance for the individual farmer. If drought or other disaster destroys his 1934 crop, for instance, he will still receive the definitely established payments as a substantial income to help him meet the losses of the "bad year".

THE CORN-HOG PROGRAM OFFERS PROTECTION

Both crop and livestock income insurance have become realities for signers of corn and hog production-adjustment contracts. In each State the program provides insurance to the extent that farmers of that State participate in the adjustment plan; and for each individual cooperating farmer it provides insurance to the extent that he has been a producer of corn and hogs.

Nearly 1,200,000 farmers throughout the country have signed contracts in the national program to bring corn and hog production into line with effective demand. These cooperating farmers will receive approximately \$350,000,000 in benefit payments. And while this large payment total is made by the Government primarily to help farmers finance their adjustment to a reduced scale of production, the entire amount is in a real sense crop insurance. The contracting farmer is guaranteed this benefit payment share of his crop and livestock income, on the basis of production in a previous base period, even though he suffer partial or complete crop failure in the current year.

Only where drought has left fields bare, flood has washed out crops, or disaster has overtaken herds, can the full value of this income insurance be realized. The protection is just as vital, however, for the individual who suffers loss from more localized disasters. Not a year passes without serious losses of corn in some sections from chinch bugs, grasshoppers, or other insect pests. Cholera and other diseases cause heavy loss every year, with thousands of farmers losing part or all of their herds in a single season.

The new form of insurance provided by payments under the adjustment program will, in many cases, mean the difference between ruin for the cooperating farmer and the chance to keep his home, sustain his family, and rehabilitate his farming business, because benefit payments in the corn and hog program, like those in other basic commodity adjustment plans, are based on past production and therefore are not diminished by current crop failure.

In North Dakota, where 14,200 farmers are cooperating in the corn and hog adjustment program, drought has this year been responsible for wide-spread destruction. Emergency relief measures will help these farmers through the period of disaster, but those who have signed the corn-hog contracts will have the additional protection of substantial adjustment payments to be made during the coming months under their contract provisions.

These 14,200 North Dakota contract signers will receive approximately \$2,363,000 in adjustment benefits during 1934 and early in 1935. They will be paid about \$712,000 for the corn land they have rented to the Government and about \$1,650,000 for reducing their production of hogs for market. This means that, regardless of how hard the North Dakota corn and hog raisers have been hit by drought losses this year, those cooperating will receive an average of about \$165 each in benefit payments.

An example will show how the corn and hog program operates to insure crop and livestock income returns for an individual. If Farmer A's corn acreage quota for 1934 was 40 acres, and he contracted 10 acres of 30-bushel land to the Secretary of Agriculture, he would receive benefit payments of \$9 for each of the 10 contracted acres, even though he was unable to plant and harvest any of his 40 acres. In the same way, Farmer A is protected against serious disease outbreak among his hogs. He will receive his full hog-reduction payment of \$5 per head on a number of hogs equal to 75 percent of the annual average number he has produced for market during the 2-year base period, even though disease, weather, or other cause reduces his hog numbers below the quota permitted him under the contract.

These adjustment payments become a vital income insurance in years when crop failure cuts off normal crop returns.

DEFINITE INCOME ASSURED COOPERATING COTTON GROWERS

The cotton crop of the South shares the same general hazards of production which face the basic crops of more northern sections. Drought, flood, hail, frost, and insect infestations are crop-destroying factors.

There is no single area in the Cotton Belt that does not lose through one or more of these hazards in a given period. Certain areas suffer to some extent practically every year. Cotton farmers may not be faced this year with the serious drought which has visited the North-Central sections of the country, but the individual cotton producer runs the same general risks with his crop—and has the same need for income insurance when his crop fails.

This insurance is offered to the grower who has signed a 1934-35 cotton adjustment contract. Under this contract, he rents from 35 to 45 percent of his average annual cotton acreage during the base period to the Secretary of Agriculture, at the rate of $3\frac{1}{2}$ cents per pound for the cotton that would be produced on this acreage in an average year. In addition, he receives a "parity" payment of 1 cent a pound on the domestic allotment of cotton for his farm. The domestic allotment is 40 percent of his average production during the 5-year base period.

These rental and parity payments are based on past production, like the benefit payments in the wheat and corn-hog programs, and are not reduced by any failure in the current crop.

Average production in the Cotton Belt as a whole during the 5-year base period is estimated at about 174 pounds per acre. The rental and parity payments for the retired acres would be approximately \$7.83 an acre, on an average for the Cotton Belt. This substantial acreage return is guaranteed to the average cooperating

cotton farmer for 1934 on from 35 to 45 percent of his total base-period cotton acreage. This is in addition to returns from sales of the cotton he produces, and regardless of any partial or complete failure which might strike that crop.

Total adjustment payments for 1934 under the cotton contracts are estimated at approximately \$120,000,000. This sum represents a definite form of crop income insurance for the farmers who are cooperating with the Agricultural Adjustment Administration in the acreage reduction program.

INCOME INSURANCE FEATURES IN THE TOBACCO PROGRAMS

Ten separate adjustment contracts for the different kinds of tobacco grown in the United States are in effect, and each contract includes crop income insurance features. Because of the difference in conditions affecting the different types of tobacco, and the different amounts of reduction in production required, these insurance features are not exactly the same. The general principles, however, are alike in all contracts.

Approximately one-third or more of the total adjustment payments are made in the form of a "rental", based upon the number of acres taken out of tobacco production, and they are made regardless of production in the current crop. In the case of other payments, minimum rates are provided in each contract, and growers will receive at least these minimum payments, regardless of the volume of their production.

In some of the contracts the minimum rates are stated in terms of a specified number of dollars per acre of the rented acreage. In others, provision is made for "deficiency" payments to be made on each pound that the grower's production may fall below his allotment. Insurance against a partial or total crop failure is thus provided.

As a result of these features, tobacco growers are assured of receiving this year, for each acre of their base tobacco acreage, payments which are insured up to definite minimums, and which will be made regardless of possible crop failures.

OTHER ADJUSTMENT PROGRAMS WOULD INCLUDE INSURANCE FEATURES

Other production adjustment programs which have been considered or proposed by the Agricultural Adjustment Administration, as well as those already in effect, have contained the same general crop income insurance features.

The dairy adjustment program which was offered by the Administration in the spring, and deferred because of lack of unified support from the dairy industry, carried provision for definite benefit payments for those dairymen who would agree to reduce their annual sales by from 10 to 20 percent. These possible adjustment payments of 40 cents per pound on the butterfat reductions, the equivalent of about \$1.50 for each 100 pounds of fluid milk on the 10 to 20 percent of volume which was reduced below the base period average sales, would have provided a very welcome source of insured income in years of drought.

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